

FOSTERING ENTREPRENEURSHIP IN RURAL AREAS: A NEW APPROACH FOR RURAL DEVELOPMENT IN VIETNAM

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SUMMARY

Today, in Vietnam, majority of the population lives in the countryside, entrepreneurship plays a vital role in rural development, then the country development. Entrepreneurship has been considered as an important driving force, a vigorous economic vehicle to accelerate the rural development. This paper aims to: i) analyse the concept of rural entrepreneurship; ii) explain why promoting entrepreneurship is a force of economic growth in rural communities; iii) discover what policies are necessary in order to create a favorable environment for entrepreneurship development in rural areas in our country.

Key words: *entrepreneurship, entrepreneur, driving force, rural development*

Introduction

Studies on the success of developing countries in the region and around the world have shown that rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now consider entrepreneurship as a strategic development intervention that could accelerate the rural development process. Development agencies consider rural entrepreneurship as an enormous employment potential. Politicians see it as the key strategy to prevent rural unrest. Farmers see it as an instrument for improving farm earnings. Rural women see it as an employment possibility near their homes which provides them with their autonomy, independence and a reduced need for social support. To all these groups, entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment. Hence, necessary measures should be taken to create favorable condition for entrepreneurship development in rural areas in our country.

Research Methods

Logical analysis, practical observation and critical review are the key methods to be deployed in this study.

What is entrepreneurship?

In political economics, entrepreneurship is a process of identifying and starting a business venture, sourcing and organizing the required resources and taking both the risks and rewards associated with the venture. To some, entrepreneurship means primarily innovation in starting, owning and managing a business. Accordingly, the entrepreneur is then viewed as a producer of new products; a finder of new sources of supply or a new consumption market; a founder of a new organizational forms; or as a person who is willing to take risks; or a person who, by exploiting market opportunities, eliminates disequilibrium between aggregate supply and aggregate demand; or the one who owns and operates a business [8].

The most appropriate definition of entrepreneurship that would fit in Vietnam rural development context, argued here, is the broader one, which defines entrepreneurship as: "a force that mobilises other resources to meet unmet market demand", "the ability to create and build something from practically nothing", "the process of creating value by pulling together a unique package of resources to exploit an opportunity". It makes full use of good points from the definitions of entrepreneurship by Jones and Sakong, 1980 [1]; Timmons, 1989 [5]; and Stevenson, 1985[4].

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Why is entrepreneurship a driving force in rural development?

Entrepreneurship needs the adoption of new forms of business organizations, new technologies and new enterprises producing goods not previously available at a location [2]. This is why entrepreneurship is considered to be a prime mover in development.

An entrepreneurial economy, whether on the national, regional or community level, differs significantly from a non-entrepreneurial economy in not only its economic structure and its economic vitality, but also the social vitality and quality of life which it offers with a consequent attractiveness to people. Economic structure is very dynamic and extremely competitive due to the rapid creation of new firms and the exit of 'old' stagnant and declining firms. It is populated with rapidly growing firms, that is called the literature of entrepreneurship, the key to economic development. According to Twaalfhoven and Indivers, entrepreneurship is run by dynamic entrepreneurs, who manage and lead their companies not only to remain in the business but also to expand it [7]. Dynamic entrepreneurs look for growth, they have not only a vision but are also capable of making it happen. They think and act globally, look for expansion, rely on external resources, seek professional advice or they work with professional teams. They have better competition ability, even they challenge competitors instead of avoiding them. They take and share risks in a way that leads to success. In this way, economic vitality of a country largely depends on the overall level of entrepreneurial capacity, that is, on its ability to create rapidly growing companies. Equally important is the speed by which new small companies are created. These phenomena explain why countries, regions and communities with a similar number of large and small firms show a completely different economic vitality.

Economic vitality of a country is no doubt a necessary condition for social vitality. Without it, other important factors that make living attractive in certain areas, such as education, health, social services, housing, transport facilities, information and so on, cannot be developed and sustained in the area in the long run. As an evidence, it is not right to assume that socially and economically depressed areas like rural area will transform into fast growing areas by relying on external investment funds and external expertise. Without entrepreneurial capabilities which are well developed or potentially available, external funds will be wasted on projects that will not provide long term economic growth. Consequently, instead of becoming more and more integrated into other economically and socially rich areas, such less developed areas will become increasingly isolated, depopulated, poorer and therefore less and less capable of attracting people, who would make an important impact with a development standpoint.

Rural entrepreneurship is usually based on stimulating local entrepreneurial talent and subsequent growth of indigenous companies. This, in turn, would create jobs and add economic value to a region and community and at the same time keep scarce resources within the community.

To accelerate economic development in rural areas, it is necessary to increase the number of entrepreneurs, thus building up the critical mass of first generation entrepreneurs who will take risks and take part in a new venture creation, resources and opportunities exploitation [3]. Many examples of successful entrepreneurship confirm this viewpoint. By their practical knowledge, experience, know-how, passion and desires they will stimulate an autonomous entrepreneurial process, as well as a dynamic entrepreneurship, thereby ensuring continuous sustainable rural development. By bringing together different

capabilities and different experiences in entrepreneurship development, everyone could enhance his/her own capabilities, motivation and determination in achieving the goal: attaining a sustainable and healthy rural economy and environment in order to ensure a high quality of life for individuals, families and communities.

Entrepreneurship in rural areas mobilises a unique combination of resources, either inside or outside of agriculture. This can be achieved by widening the base of a farm business or rural companies to include all the non-agricultural uses that available resources can be put to or through any major changes in land use or level of production other than those related solely to agriculture. Thus, a rural entrepreneur is someone who is prepared and trained to stay in the rural area and contribute to the creation of local wealth. To some degree, however, the economic and social goals of an entrepreneur of rural development are more closely, more strongly interlinked than in urban areas. For this reason, entrepreneurship in rural areas is usually community based, has strong extended family linkages and a relatively large impact on a rural community.

Rural entrepreneurship in reality

Many examples of successful rural entrepreneurship can already be found in fact of Vietnam as well as other countries. Diversification into non-agricultural uses of available resources such as catering for tourists, blacksmithing, carpentry, spinning, etc. as well as diversification into activities other than those solely related to agricultural usage, for example, the use of resources other than land such as water, woodlands, buildings, available skills and local features, all fit into rural entrepreneurship. The entrepreneurial combinations of these resources are, for example: tourism, sport and recreation facilities, professional and technical training, retailing and wholesaling,

industrial applications (engineering, crafts), servicing (consultancy), value added (products from meat, milk, wood, etc.) and the possibility of off-farm work. Equally important to entrepreneurship are new ways of land use that enable a reduction in the intensity of agricultural production, for example, organic production.

Dynamic rural entrepreneurs can also be found. They are expanding their activities, their occupied markets, they find new markets for their products and services beyond the local boundaries.

Let us look at the real cases. Here only a few will be mentioned. They are very well known to the communities to which they belong to and their initiatives are highly appreciated by the community members. One of them is Graham-Probin, owner of a 110 acre farm in Malpas, Cheshire, England [3]. By converting a two-storey building into four workshop units, he created employment opportunities within the community. Another one is John Anderson from Kirkwhelpington, who created employment opportunities in the local area by restoring traditional stables into business premises and renting them out to a blacksmith who shoes horses and does light engineering work for farmers [3]. This entrepreneurial venture is an example of a straightforward entrepreneurship and not so much an example of on-farm diversification. It is an example of how seeing and seizing the opportunity are vital ingredients of entrepreneurial success.

Now we turn to illustrations of entrepreneurial success in rural areas of Thainguyen, Vietnam. Production model of UTZ Certified tea - products are traceable from grower to end product manufacturers, Tan Huong Tea Cooperative [6]. Owing more than 10 ha of tea, Tan Huong Cooperative has created jobs for labours of the 37 member households. The average output is nearly 30 tons of dry bud /year. Currently, safe tea products of the

Cooperative are priced 20-30% higher than that of the other tea material areas. In another case, with his practical knowledge, experience, know-how, passion and desires, Dang Xuan Ngoc has found a stable market for his product - tea cuttings. With more than 1 hectare of tea cuttings, Ngoc has been creating jobs for 40 labours, most of them are young men right in the commune, interest earned on the farm's estimated VND500 million/year[6]. Phu Gia Biotechnology Co., Ltd, is another illustration of entrepreneurial success. With investment of nearly VND50 billion, company has applied modern highly automatic technology in mushroom production processes. Dozens of different kinds of mushroom are creating stable jobs for 30 local workers. Not only aims to improve yields and production, Phu Gia is also trying to transfer technology to the local households (satellite households). Currently, the company is exporting mushroom to South Korea, Japan and Taiwan. The company is implementing production expanding projects. Factory for industrial products from mushroom like: candy, cake, wine, beer, soft drinks, etc. is under construction. This is a really good opportunity to develop mushroom production and processing in Thainguuyen province in the future [6].

Although agriculture today still provides income to rural communities, rural development is increasingly linked to enterprise development. Since national economies are more and more globalized and competition is intensifying at an unprecedented pace, affecting not only industry but any economic activity including agriculture, it is not surprising that rural entrepreneurship is gaining in its importance as a force of economic change that must take place if many rural communities are to survive. However, entrepreneurship demands an enabling environment in order to flourish.

Creating a favourable environment to entrepreneurship acceleration

Behind each of the success stories of rural entrepreneurship there is usually some sorts of institutional supports. Besides individual or group entrepreneurial initiative, the enabling environment supporting these initiatives is of utmost importance.

The creation of such an environment starts already at the national level with the foundation policies for macro-economic stability and for well-defined property rights as well as international orientation. Protection of the domestic economy, in some cases, hinders instead of fosters entrepreneurship. National agricultural policies such as price subsidies to guarantee minimum farm incomes and the keeping of land in production when over-production already exists are not good in every circumstance, even sometime definitely counter-productive to entrepreneurship. The long run solution for sustainable agricultural development is only one: to develop competitive agriculture. While prices can set the direction, entrepreneurs who will meet the challenge of increasingly demanding international markets and who will find profitable alternative uses of land, alternative business opportunities and so on are needed. Therefore, policies and programmes targeted more specifically at the development of entrepreneurial talent are needed. Policies for increasing the number of entrepreneurs, policies for developing the their input and output market, policies for increasing the effectiveness of entrepreneurs can significantly speed up entrepreneurial activities at national, regional and community levels.

The policies and programmes targeted specifically to the development of entrepreneurship do not differ much with respect to location. From the perspective of the process of entrepreneurship, whether the location is urban, semi-rural or rural, is not

important in itself. For example, the needs of a would be entrepreneur or an existing small business do not differ much from those in an urban area. To realise their entrepreneurial ideas or to grow and sustain in business, they all need access to capital, labour, markets and good management skills. What differs is the availability of markets for other inputs.

The inputs into an entrepreneurial process: capital, management, technology, buildings, communications and transportation infrastructure, distribution channels and skilled labour, tend to be easier to find in urban areas. Professional advice is also hard to come by. Consequently, entrepreneurial behaviour, the ability to discover unconventional market opportunities, is most lacking in those rural areas where it is most needed because there the scarcity of other quality inputs is most serious.

These are the reasons why rural entrepreneurship is more likely to flourish in those rural areas where the two approaches to rural development, the “bottom up” and the “top down” complement each other. Developing entrepreneurs requires a many times much more complex approach to rural development than the case in practice. It requires not only the development of local entrepreneurial capabilities but also a coherent regional/local strategy. Evidence shows that, individual and social entrepreneurship play an important role in rural economic, social and community development. The top down approach gains effectiveness when it is tailored to the local environment that it intends to support. The second evidence for its success is that ownership of the initiative remains in the hands of members of the right local community. The regional development agencies that fit both criteria can contribute much to rural development through entrepreneurship.

Other institutions that can make a difference to rural development based on entrepreneurship are agricultural extension agencies. However, to be able to act in this direction, they must be entrepreneurially minded. They must see agricultural activities as only one of many possible activities that contribute to rural development. They must seek new entrepreneurial uses of land and support local initiative in this field. While tradition is important, but if one rural community is over-occupied with the past, it may turn into a less-developed society. Networking between different agencies involved in the promotion of rural development through entrepreneurship, by pooling together different sources and skills, by reaching a greater number of entrepreneurs and by assisting a greater number of local entrepreneurial initiatives, can have a much more positive effect on rural development than when each agency is working only on its own.

Entrepreneurship in rural areas can benefit a lot from a strategic development alliances, that is partnership among governments or non-government, non-profit seeking organizations, universities and the private sector.

Conclusion and policy implication

Entrepreneurship is a vigorous driving force in rural development. To enhance the role of entrepreneurs and entrepreneurship in rural development of Vietnam, the following measures should be made: i) National economic policy related to agriculture, including recognition of the vital contribution of entrepreneurship to rural economic development is very important; ii) Policies and special programmes for the development of entrepreneurial talent must be made; Entrepreneurial thinking about rural development, not only by farmers but also by everyone and every rural development organization; iii) Institutions play a key role in supporting the development of rural entrepreneurship as well as making strategic development alliances.

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TÓM TẮT

**THÚC ĐẨY KINH DOANH Ở NÔNG THÔN:
CÁCH TIẾP CẬN MỚI TRONG PHÁT TRIỂN NÔNG THÔN VIỆT NAM****Trần Chí Thiện****College of Economics and Business Administration - TNU*

Ở Việt Nam hiện nay, dân số phần đông sống ở nông thôn, kinh doanh có vai trò quan trọng trong phát triển nông thôn và phát triển đất nước. Kinh doanh là động lực, là đầu tàu kinh tế mạnh mẽ trong phát triển nông thôn. Bài báo này nhằm: i) phân tích khái niệm về kinh doanh ii) giải thích tại sao kinh doanh lại là động lực tăng trưởng kinh tế trong phát triển nông thôn; ii) chỉ ra cần có các chính sách nào để tạo môi trường thuận lợi cho phát triển kinh doanh ở nông thôn nước ta.

Từ khóa: *kinh doanh, doanh nhân, động lực, phát triển nông thôn.*

Ngày nhận bài: 13/3/2014; Ngày phản biện: 15/3/2014; Ngày duyệt đăng: 25/3/2014

Phản biện khoa học: TS. Trần Quang Huy – Trường Đại học Kinh tế & Quản trị Kinh doanh - ĐHTN

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